GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

UNSTARRED QUESTION NO:61
ANSWERED ON:18.02.2003
NEW UREA PRICING POLICY
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Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether the Government have taken a decision on the New Urea Pricing Policy in place of unit based Retention Pricing Scheme;

(b) if so, the details thereof;

(c) the time by which the new policy is likely to come into force;

(d) whether the Government have decided to modify unit based retention price scheme prevailing so far in fertilizer factories and withdraw transport subsidy under New Fertilizer Policy or whether there is any proposal under consideration in this regard;

(e) if so, the details thereof;

(f) the financial burden being borne by the government for the last five years i.e., since 1.4.1998 on account of all types of subsidies being provided to the fertilizer factories by the Government, year-wise details thereof;

(g) saving likely to be accrued after implementing new fertilizer policy, item-wise;

(h) whether small and marginal farmers are likely to be most affected after hike in fertilizers prices after implementation of new fertilizer policy; and

(i) if so, details of the steps proposed to be taken by the Government to protect the interests of farmers?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (DR. CHHATTRA PAL SINGH)

(a) to (e): New pricing policy for urea units has been formulated keeping in view the recommendations of Expenditure Reforms Commission for replacing the existing Retention Price Scheme (RPS). The new scheme will aim at greater transparency, uniformity and efficiency in subsidy disbursements to urea units and will induce urea manufacturing units to take cost reduction measures and be competitive. The new scheme will be implemented in stages. Stage-I would be of one year duration, from 1.4.2003 to 31.3.2004. Stage-II would be of two years duration from, 1.4.2004 to 31.3.2006. The modalities of the subsequent stages would be decided after review of the implementation of the Scheme during the Stage-I and Stage-II.

In Stage-I, i.e. from 1.4.2003 to 31.3.2004, the allocation of urea under the Essential Commodities Act 1955 (ECA) will be restricted up to 75% and 50% of installed capacity (as reassessed) of each unit in Kharif 2003 and Rabi 2003-04, respectively. The remaining urea production will be available to the manufacturers for sale to the farmers at Maximum Retail Price (MRP) anywhere in the country. During Stage-II, urea distribution will be totally decontrolled after having evaluated the Stage-I.

There is no proposal to withdraw freight related costs. During 2003-04, equated freight will be worked out for the urea quantity under ECA allocation on the basis of average normative lead and rail-road mix of each unit for the last three years i.e. 2000-01, 2001-02 and 2002-03. For the quantity outside ECA allocation, a reduction of Rs. 100 per metric tonne will be made from the equated freight.

(f) The details of subsidy expenditure on urea and concession expenditure on decontrolled phosphatic and potassic fertilizers for the last five years since 1.4.1998 are given in the table below:

(Rs in crores)

Period	Amount of concession disbursed on decontrolled fertilizers	Amount of subsidy disbursed on urea
1998-99	3789.94	7597.22
1999-2000	4500.00	8744.07
2000-2001	4319.00	9481.00
2001-2002	4504.00	8304.44
2002-03	4224.00	7004.00

(BE)

(g): The quantum of savings accruing from implementation of new pricing policy for urea units vis-Ã -vis existing RPS would become known only after the new policy has become operational.

(h) & (i): Farmers, including small and marginal farmers will continue to get the urea at the statutorily notified sale price.